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FM AMCONSUL CASABLANCA
TO RUEHC/SECSTATE WASHDC 8533
INFO RUCPDO/DEPT OF COMMERCE WASHDC
RUCNMGH/MAGHREB COLLECTIVE
RUEHFR/AMEMBASSY PARIS 0725
RUEHMD/AMEMBASSY MADRID 3903
RUEHBJ/AMEMBASSY BEIJING 0053

UNCLAS CASABLANCA 000192

SIPDIS
SENSITIVE

STATE FOR NEA/MAG
COMMERCE FOR NATHANIEL MASON

E.O. 12958: N/A
TAGS: [ECON](#) [ETRD](#) [PGOV](#) [CH](#) [MO](#)
SUBJECT: CHINA, MOROCCO, AND THE SCRAMBLE FOR AFRICA

REF: CASABLANCA 93

¶1. (SBU) Summary: With a controlling stake in some of Africa's largest banks and solid 2010 earning projections, China is increasingly turning to Morocco's largest banks - Attijariwafa and Banque Marocaine du Commerce Extérieur (BMCE) - for its banking needs in Francophone Africa. To secure its influence with Morocco's banking institutions, China has implemented a dual approach, which entails awarding sizeable nearly interest-free loans to Morocco's largest banks and providing them with fiscal incentives to open branches in China. While Morocco's banks have benefited financially from its rapprochement with China, some remain uneasy about growing Sino-Moroccan relations. End Summary.

Just the Beginning

¶2. (SBU) With a controlling stake in some of Africa's largest banks (REF A) and solid 2010 earning projections, China is increasingly turning to Morocco's largest banks - Attijariwafa and Banque Marocaine du Commerce Extérieur (BMCE) - for its banking needs in French-speaking Africa. Present in more than 20 countries in sub-Saharan Africa, Morocco's BMCE and Attijariwafa have become the preferred alternative for Chinese firms operating in Africa, said Taoufik Joundy, President of the Morocco-China Business Council in Casablanca. (Note: Much of the money pouring in from China is tied to exploitation of oil and non-oil commodities such as timber, copper, and minerals. End Note.) "I don't think it boils down to just raw commodities. It is much bigger than that now. This is the beginning of a strategic partnership", argues Joundy.

¶3. (SBU) With more African countries opening their economies to foreign investment, many in Morocco's banking community believe Africa is a burgeoning economic opportunity. More so than other Moroccan investors, Younes Benjelloun, CEO of BMCE is aggressively expanding in the continent, with the end goal of being present in most of Africa's 54 countries. Asked about China's growing relationship with Morocco's banking institutions, he commented, "if managed well, Morocco can extract a lot from its relationship with China".

China's Approach to Securing the Partnership

¶4. (SBU) To secure its influence with Morocco's largest banks, China has developed a dual strategy, which entails awarding large, nearly interest-free loans to Morocco's banks and providing them with fiscal incentives to open branches in China. First, it has awarded several long-term concessional loans to Moroccan banks through the Industrial and Commercial Bank of China (ICBC), one of the world's largest banks. Presently, BMCE is securing several major lending deals with ICBC, confided BMCE's Corporate Office Director, M'fadel El Halaissi. (Please strictly protect this sensitive commercial information.) While El Halaissi declined to share specific data, he added that the loans were "very sizeable."

¶5. (SBU) Second, to attract Morocco's largest banks to Beijing, China is providing them with fiscal incentives, including a corporate tax holiday during the first five years of business and a tax rate of 15 percent thereafter. (Comment: The incentives are more than likely a Chinese strategy to increase its access into Africa. End Comment.) BMCE's branch in Beijing is also a tribute to the lobbying done by high-level official visitors to Morocco, said El Halaissi. Not to be outdone, a well placed source in Attijariwafa told Econoff that Attijariwafa will soon open a branch in Shanghai.

Assessing the Benefits of China's Ties to Morocco

¶6. (SBU) China's relationship with Morocco elicits mixed sentiments. On the one hand, the GOM and Morocco's banking institutions have benefited financially from the nascent partnership with China in Africa. On the other hand, economists like Jawad Kerdoudi of the International Institute for International Relations (IMRI), a Casablanca based think-tank, remain uneasy about China's growing relationship with Morocco. He queried: "Is China bringing trade and investment that Africa so badly needs, or just meddling and exploitation? I really don't know." "All partnerships, whether healthy or not, bring risks," Kerdoudi commented.

¶7. (SBU) Similarly, BMCE is proceeding with caution. While its relationship with China is strong, it has declined other offers from ICBC, including one which entailed buying a significant share of BMCE Capital, confided El Halaissi. BMCE's commitment to Africa is long-term and as such the bank has to be careful about the implications of its partnerships, he added.

¶8. (SBU) COMMENT: Despite concerns in some quarters about the burgeoning relationship between China and Morocco's banks, the Kingdom's involvement with China in Africa is likely to continue to expand. Moroccan bankers say they will be vigilant to ensure that they can get a fair deal from the partnership. If so, in their view, both Morocco and China can be winners.

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